



TOGETHER IN EUROPE



EC NEWSLETTER FOR CENTRAL AND EASTERN EUROPE

RELATIONS WITH THE EUROPEAN UNION

MADRID SUMMIT DECIDES ENLARGEMENT PROCEDURE

"The European Union hopes that the preliminary stage of negotiations will coincide with the start of negotiation with Cyprus and Malta".

This phrase, which appeared on Saturday afternoon in the final Presidency Conclusions to the Madrid European Summit 15-16 December, made the whole difference. It is not yet a binding commitment but the general conclusions drawn by observers present in Madrid were that this is a political commitment which may not be left unfulfilled. The new wording was largely a result of a fundamental debate between the EU Heads of Government and their counterparts from nine associated countries during Saturday's lunch and a roughly one hour formal meeting. Malta and Cyprus participated in these discussions as well.

The state of decisions on the next enlargement, as presented by Carlos Westendorp during his evening briefing on Friday 15 December, was practically identical as that outlined in detail by "Together in Europe" on 1 December (c.f. No79, pp1-3). The principal difference was that what many estimated as our unreasonably optimistic reading of the 3 reports (concerning the enlargement and its impact on policies), as well as of the Reflection Group's report to be presented to the Madrid Summit has meanwhile transpired to be the actual content, firstly of the draft Presidency Conclusions and then of the final conclusions.

The Madrid Summit re-confirmed that the "Enlargement is both a political necessity and a historic opportunity for Europe". It then stressed the "absolute identity of treatment between the candidate countries". In the next step it outlined a mechanism which would allow it to be objectively decided, in late 1997, when the negotiations will start with.

The Commission has not only to present the Opinions on individual candidate countries (and the EU Council to assess them and draw the appropriate conclusion), but the Commission has also to come with other general report(s) - the Presidency Conclusions to Madrid speak about a composite paper on enlargement - which will evaluate the effects of enlargement on Community policies. This paper will deal with all candidate countries and shall ensure that the applicant countries are treated on an equal basis.

(continued on page 2)

CONTENTS

RELATIONS WITH THE EUROPEAN UNION

MADRID SUMMIT DECIDES ENLARGEMENT PROCEDURE	1
IGC AND THE REPORT OF THE REFLECTION GROUP	3
THE CHALLENGES OF ENLARGEMENT	5
PRINCIPLES FOR COHESION POLICY AFTER ENLARGEMENT	7
EU APPLICATIONS	8
STEEL TRADE IN EU-POLISH DIALOGUE	8
SWEDISH POSITION ON IGC AND ENLARGEMENT	9
DANISH MEMORANDUM ON IGC AND ENLARGEMENT	10
BELGIUM'S POSITION ON IGC AND ENLARGEMENT	10
CUSTOMS UNION WITH TURKEY	11
ENERGY COUNCIL - QUESTIONS ON MARKET LIBERALIZATION	12

CEE: 1/41

(see page 1)

This procedure is expected to finish relatively soon after the successful conclusion of the IGC, so it shall allow the Council at the earliest opportunity to take the decision for launching the accession negotiations. Various ideas suggested in Madrid generally indicated that in the absence of major complications this timetable could indeed allow the simultaneous beginning of negotiations with Malta and Cyprus. Rather unclear is the next requirement that the Commission also presents immediately after the IGC, a communications on the **future financial framework of the Union after 1999 and with regard to the prospect of enlargement**. The question is whether the decision by the Council to give the go-ahead for enlargement could be made only on the basis of the discussion of the Commission's "communication", or whether they would force some advanced negotiations on a future financial perspective and well ahead of these negotiations scheduled timetable. The latter case could easily imply some significant delays.

It also may be expected that at least 6 of 10 candidate countries from central and eastern Europe will concentrate their diplomatic activity during 1996 and early 1997 on persuading the EU Heads of State to accept that the preliminary stage of negotiations should start with all applicants.

The following article brings the exact wording of part of the Presidency Conclusions of the Madrid Summit dealing with Enlargement.

ENLARGEMENT

Enlargement is both a political necessity and a historic opportunity for Europe. It will ensure the stability and security of the continent and will thus offer both the applicant States and the current members of the Union new prospects for economic growth and general well-being. Enlargement must serve to strengthen the building of Europe in observance of the *acquis communautaire* which includes the common policies.

With that in mind, the European Council took note of the Commission reports on the effects of enlargement on the policies of the European Union, on alternative strategies in agriculture and on the progress of the pre-accession strategy for the associated countries of Central and Eastern Europe.

The European Council takes note of the Council report on relations with the associated CCEE during the second half of 1995.

The PHARE programme, as supported by the European Council's decisions at its Cannes meeting,

and the continued activities of the European Investment Bank will allow an overall increase in the input for accession preparations.

The European Council reiterates that the accession negotiations with Malta and Cyprus will commence, on the basis of the Commission proposals, six months after the conclusion of the 1996 Intergovernmental Conference, and will take its results into account. It is pleased that structured dialogue with both countries began in July 1995 within the framework of the pre-accession strategy.

The European Council also confirms the need to make sound preparation for enlargement on the basis of the criteria established in Copenhagen and in the context of the pre-accession strategy defined in Essen for the CCEE; that strategy will have to be intensified in order to create the conditions for the gradual, harmonious integration of those States, particularly through the development of the market economy, the adjustment of their administrative structures and the creation of a stable economic and monetary environment.

The European Council calls upon the Commission to take its evaluation of the effects of enlargement on Community policies further, particularly with regard to agricultural and structural policies. The European Union will continue its review at its next meetings on the basis of reports from the Commission.

It asks the Commission to expedite preparation of its opinions on the applications made so that they can be forwarded to the Council as soon as possible after the conclusion of the Intergovernmental Conference, and to embark upon preparation of a composite paper on enlargement. This procedure will ensure that the applicant countries are treated on an equal basis.

It also calls upon the Commission to undertake a detailed analysis as soon as possible of the European Union's financing system in order to submit, immediately after the conclusion of the Intergovernmental Conference, a communication on the future financial framework of the Union as from 31 December 1999, having regard to the prospect of enlargement.

Following the conclusion of the Intergovernmental Conference and in the light of its outcome and of all the opinions and reports from the Commission referred to above, the Council will, at the earliest opportunity, take the necessary decisions for launching the accession negotiations.

The European Council hopes that the preliminary stage of negotiations will coincide with the start of negotiations with Cyprus and Malta. ■

THE INTERGOVERNMENTAL CONFERENCE WILL BE LAUNCHED ON 29 MARCH IN TURIN - THE REPORT OF THE REFLECTION GROUP IS A "SOUND BASIS" FOR THE WORK OF THE IGC

The Madrid European Council decided that the Intergovernmental Conference on the revision of the Maastricht Treaty will open in Turin, on 29 March 1996. As far as the level of that meeting is concerned, the summit's conclusions just say that the European Council "takes note of the intention of the forthcoming Italian Presidency to adopt appropriate measures for preparing the Conference". In Madrid the issue provoked a rather lively debate between Italian Prime Minister Lamberto Dini, who wished the IGC to be opened by the EU heads of State and government, and French President Jacques Chirac, who feared that an extraordinary European Council would create "great expectations" among public opinion, while the meeting would have no decisions to make. To that, the Italians answered that, if by the end of March the Foreign Affairs Ministers are not able to decide on a clear mandate for the IGC, the European Council will have indeed something to decide. And Felipe Gonzalez hoped that the problem will be settled "by the time the Italian Presidency issues the invitations", since "all the others agreed". Jacques Chirac, though, said that on 29 March next year he will be "at the other end of the world".

Another issue which was not settled in Madrid, mainly because of the reservations of France and the UK, was the question of the European Parliament's association to the work of the IGC. Immediately after the summit, European Parliament's President Klaus Hänsch said that he expected the EU Foreign Affairs Ministers to decide as of next January that the EP would have an observer status at the Conference. The summit's conclusions simply state that the EP "will be closely associated with the work of the Conference so that it is both briefed regularly and in detail on the progress of the discussions and can give its point of view, where it considers this necessary, on all matters under discussion". German Chancellor Kohl strongly confirmed his position in favour of Parliament's participation in the IGC, and Spanish Secretary of State, Carlos Westendorp, admitted that there was disagreement among the Fifteen on this issue. Some said it would be "better to have the enemy within", declared

Mr Westendorp, who finds that the best formula for associating the EP would be the one used in the Reflection Group on the IGC chaired by himself, where two Members of Parliament participated to the discussion, in "a spirit of pragmatism".

Some heads of government (and also President Santer) stressed that society as a whole should have a word to say, but most found that Swedish Prime Minister Mr Carlsson's idea to consult NGOs during the Conference went a bit too far. Such a question can be solved at national level, following each Member State's traditions and habits, said Felipe Gonzalez.

At the Madrid summit, the heads of State and government did not discuss about the substance of the IGC, but at their informal chat after dinner, on Friday, Chancellor Kohl wondered about the way the European Commission is presently run, mentioning the behaviour of some Commissioners (such as the unauthorized publication of the controversial "diary" of Danish Commissioner Ritt Bjerregaard).

And President Santer, while stressing that governments, and not the Commission's President, appoint the Commissioners, told the press that he had the intention, during the IGC, to make suggestions precisely about the procedures for appointing Commissioners and about the authority of the president himself on the whole college (the tradition has been until now that the President is a "primus inter pares").

The procedural decisions made in Madrid broadly set the scene for the 1996 IGC, but don't mention the date when the Conference might end. Everybody, though, seems to imply that the Conference might last about a year, and finish in the first six months of 1997, under Dutch presidency (will the Treaty, then, be a "Maastricht 2", as Chancellor Kohl often calls it?). Carlos Westendorp, referring to the next British general elections, which have to take place in Spring 1997 at the latest, admitted that it is "not very realistic" to assume that a Government which has problems with its "anti-European opinion" "should have" the same peace of mind as others for concluding the IGC".

In Madrid, the European Council decided that, after its launching in March 1996, the Conference will meet in principle once a month, at the level of Foreign Affairs Ministers, while a working group made of a representative of each Foreign Minister and of the President of the Commission will be in charge of the necessary preparations (on former similar occasions, these

(continued on page 4)

(see page 3)

representatives have been the Permanent Representatives of Member States). The Madrid summit also decided that Central and Eastern European countries which have European agreements with the EU, as well as applicant countries Cyprus and Malta, will be regularly briefed on the IGC, and will be able to give their own points of view at meetings with the Council's Presidency which will be held in principle every two months.

As far as the content of the negotiations is concerned, the European Council considered that "the guidelines distilled" within the Reflection Group chaired by Carlos Westendorp, "following a thorough analysis of the internal and external challenges facing the Union and the possible responses, constitute a sound basis for the work of the Conference". The heads of State and government think that the IGC "will, in general, have to examine the improvements which will have to be made to the Treaties to bring the Union into line with today's realities and tomorrow's requirements, in the light of the outcome of the Reflection Group's proceedings".

The Reflection Group's "Strategy for Europe"

The Reflection Group, actually, did not have a negotiating function, and was mainly asked to identify the issues that the IGC will absolutely have to handle, and to suggest options. As far as the analysis of the situation is concerned, agreement among the Group's members was quite easy, but views widely differed on the solutions, reflecting the different European vision of national governments. Indeed, though in principle independent, the representatives of the fifteen Foreign Affairs Ministers were to a large extent Secretaries of

State for Foreign or European affairs, while the Commission was represented by Commissioner Marcelino Oreja and the European Parliament by French Socialist Elisabeth Guigou and German Christian Democrat Elmar Brok. Ms Guigou and Mr Brok contributed very actively to the debate, making concrete suggestions which, as Elisabeth Guigou said, often became the opinion of a majority in the Group. In fact, though there was no unanimity on any substantial issue, large majorities emerged on several major elements of the future reform, including the institutional issues. Therefore, the report often speaks of the opinion of "many of us", as opposed to "one of us" (British Minister David Davis, who kept a consistently minimalist stand during the whole process).

Thus, the Group issued a long report (more than forty pages) called "An annotated Agenda", full of options that the IGC itself will probably deal with, and a shorter introduction called "A Strategy for Europe", which stresses a few major points, and in particular the need to "explain clearly to our citizens why the Union, which is so attractive to others in Europe, remains necessary for us too". One of the main pieces of his "strategy" is "the most ambitious target" of the Union, its enlargement to the East and to Cyprus and Malta. For the Reflection Group, "the next enlargement provides a great opportunity for the political reunification of Europe. Not only is it a political imperative for us, but it represents the best option for the stability of the continent and for the economic advancement not just of the applicant countries but for this Europe of ours as a whole". The report admits that "that enlargement is not an easy exercise", that

"its impact upon the development of the Union's policies will have to be assessed", and that it will "require efforts both by applicants and present Union members that will have to be equitably shared". The next enlargement is "also a challenge", says the report, adding: "We must do it, but we have to do it well".

The Reflection Group, while stressing the meaning of this "challenge", also notes that the 1996 IGC is "just one step" in a whole process, and reminds that the Maastricht Treaty already foresees that a Conference should be convened in 1996 "with a limited scope". This scope, though, has been "enlarged" at various European Councils, and the Reflection Group states in particular that the heads of State and government have "identified the need to make institutional reforms as a central issue of the Conference, in order to improve the efficiency, democracy and transparency of the Union". The Group thinks that, at the IGC, "resultats should be achieved in three main areas", which are: making Europe more relevant to its citizens, enabling the Union to work better and preparing it for enlargement, and giving the Union greater capacity for external action.

The idea of openness and of promoting European values runs through the whole report, but the most concrete suggestions made by in this area several members didn't get the unanimous support of the Group: these suggestions are, for example, that the Treaty should proclaim equality between men and women, non-discrimination on grounds of race, religion, sexual preference, age or disability, or that the Social Agreement must "become part of Union law" (but "one of us believes that this would only serve to reduce competitiveness",

says the report, without mentioning David Davis).

The report also stresses that the Union must "preserve its decision-making ability after further enlargement", and that this "will mean changes to the structure and workings of the institutions", and "may also mean that flexible solutions will have to be found, fully respecting the single institutional framework and the 'acquis communautaire'". The Reflection Group stresses in particular the need to maintain for each Member States "fair representation in each of the institutions", and to simplify decision-making procedures and enhancing the role of the European Parliament. But it

admits that "one member believes, however, that the European Parliament gained extensive new powers at Maastricht and therefore should grow into these powers before seeking more". In general, all the Group's members also admit that national Parliaments should be more involved in the European integration process, but France goes further and suggest the setting up of new institutions (without getting much support from the other members). Another controversial issue is, and will be at the IGC itself, the weighting of votes in the Council: some "big" countries wish the system to take into account the size of the populations more, but smaller countries resist this suggestion more

fiercely, and stress that a change might be acceptable only if the "supranational" EU institution, the European Commission, is not threatened, and if each Member State retains one Commissioner.

Meanwhile, ahead of the convening of the IGC, Member States have started putting out papers on their priorities, in order to have a discussion at the national level first, in particular with their own Parliament. Obviously, the Maastricht's ratification difficulties have taught governments a lesson, and everyone will try in the next months to involve both Parliaments and public opinion. ■

THE CHALLENGES OF ENLARGEMENT

"The next enlargement represents both a political imperative and a new opportunity for Europe, but at the same time it presents the Union with a major challenge requiring an adequate response." This is how the Reflection Group's long-awaited report on reform to pave the way for enlargement begins its chapter on the challenges of enlargement.

The following "Together in Europe" will review the principle ideas included by the Reflection Group's Report and more or less directly related to the next enlargement.

The next enlargement constitutes a response to the challenges of security and political and economic stability in Europe. However, in order to achieve it, reforms of the Union are required in some areas, and, very significantly, in the Union's institutions. Furthermore, the report stresses that the mechanisms for maintaining solidarity and cohesion within the Union must be adapted and reinforced. This is all necessary, the Group feels, if the Conference wants to endorse and reinforce the Union's common objectives which aim at peace and freedom, internal and external security, democracy, protection of the human rights and prosperity for the citizens of Europe and solidarity between them.

The Conference must reaffirm the common principles, namely the maintenance and development of the *acquis communautaire*. The report warns against the prevention of flexible formulae from

being found on a case-by-case basis and encourages, where necessary, new states of integration to be entered upon at different paces, without the objectives of a common project being jeopardized in any circumstances. In order to achieve this the report underlines the need for the consolidation of a single institutional framework as the best guarantee for the consistency of the Union's action.

On the basis of the above, the prospect of enlargement and the existence in the Union of differentiated integration arrangements, raises the question of flexibility and its limits in relation to the outcome of the Conference and the approach adopted to enlargement. If in answer to the question what do the individual member states wish to accomplish together, the report stresses, that if a common will is found to be lacking then this should not prevent those who wish to see the Union progress from doing so, albeit subject to clear limits. It will have to be considered on a case-by-case basis, allowing flexibility without jeopardizing the "acquis" and the common objectives. With this the Group rejects any formula which could lead to an a la carte Europe. A large majority are of the viewpoint that:

- flexibility should be allowed only when it serves the Union's objectives and if all other solutions have been ruled out and on a case-by case basis;
- differences in the degree of integration should be temporary;

(continued on page 6)

(see page 5)

- no-one who so desires and fulfils the necessary conditions previously adopted by all can be excluded from full participation in a given action or common policy;

- provision should be made for ad hoc measures to assist those who want to take part in a given action or policy but are temporarily unable to do so;

- when allowing flexibility the necessary adjustments have to be made to maintain the "acquis" and a common basis should be preserved to prevent any sort of retreat from common principles and objectives;

- a single institutional framework has to be respected, irrespective of the structure of the Treaty.

Several members, while in accordance with the above, believe however that such flexible arrangements in the Union should only be possible when agreed by all, as in the past. Some members believe that, whereas such arrangements should in principle be temporary, they need not always be so, especially where they do not concern "core disciplines" of the EC.

Degrees of flexibility are different according to the three pillars and the present Member States and those acceding on next enlargement:

- Whereas derogation **must not** be allowed in the Community "pillar" if they jeopardize the internal market and create discriminatory conditions for competitiveness, CFSP and some Justice and Home Affairs issues enable a greater degree of flexibility.

- The formulae applicable to the **acceding countries** should in principle be **transitional arrangements based on consideration of their specific circumstances and can only be more closely defined when their respective accessions are negotiated**. Nevertheless, a "critical mass" of "acquis" essential for accession has to be preserved in spite of any flexible arrangement.

Context and Timetable:

Only once the 1996 Conference has reached a satisfactory conclusion will it be possible for the other tasks to be tackled on more solid bases, although, the report underlines that this does not prevent appropriate preparatory work from being carried out at the same time. The Group therefore considers that the Conference should start and conclude its proceedings in good time in order to enable the other important elements on the schedule to be dealt with properly.

Enlargement is not only a response to the new challenges facing the Union as mentioned above, it is also a challenge in itself. An enlargement will also

have a definite impact on Community policies and give a new dimension to the problem of the Union's resources. As a result while stressing the need for enlargement it has to be duly prepared so that it is successfully achieved.

In response to the questions who?, when? and how?, the Group attempts to provide answers:

- **Who will be acceding to the Union when enlargement takes place?** The report believes that accession should be open to **all European countries** which comply with the criteria laid down at the Copenhagen European Council. Each case must be dealt with on its own merits during the negotiations. However, the aim of the Reflection Group is to identify the reforms desirable and sufficient to enable the Union to incorporate associated Central and Eastern European countries, including the Baltic States, Cyprus and Malta.

- **When?** Cyprus and Malta will start six months after the end of the Conference taking into account its outcome. However, it is not yet clear from the report when the negotiations will begin with the Central and Eastern European countries exactly.

- **How?** It will have to combine a global approach to meet common demands with flexible adjustment structures which make it possible in each case to adopt an appropriate time scale for the process of full incorporation of applicants into the present Union's common policies.

The report does not deal with the question of whether and if so how, common policies should be revised in the light of enlargement as it is not within the Group's mandate. The Group while agreeing on the maintenance of the "acquis" underlines that this should not prevent progressive implementation of the "acquis" by the applicant countries.

The broad majority of the Reflection Group came out in favour of the separation of the Conference exercise from the study of the impact of enlargement in relation to future development of common policies. The reasons being that:

- firstly, a revision of policies does not require amendment of their respective legal bases;

- secondly, the effect of enlargement on common policies will not be immediate but will spread over time in accordance with the model for enlargement which in general seems possible for the next set of applicants;

- finally, it is not appropriate to combine **two such politically sensitive exercises**.

Some members consider that the analysis for the impact of the enlargement on policies and

resources should be developed simultaneously with the IGC. One member stresses that, each of the EU's major tasks from now until the end of the century are aspects of the same overall strategy, the results of which will be judged with an assessment of all the efforts, concessions and opportunities involved in the common project.

What kind of conference?

In the report, the Reflection group gave its opinion on what way the Conference should go. In its support for **adequate responses** to the question of enlargement the Group stressed that on top was improving the present functioning of the Union, a far greater number of Member States than was the case in earlier enlargements. The forthcoming enlargement will, the report points out, **make the Union much more heterogeneous** than at present as regards in size of countries, variety of languages, disparity of income levels and differing sensitivities with regard to Foreign Policy of Justice and Home Affairs.

The Group has convened that **the scope of the Conference should be targeted to deliver the**

necessary results without opening a general revision of the Treaty. A single Conference and not one with different agendas. The Group considers that the Conference should confine itself to its own specific aims, namely realizing the (legal or practical) reforms to enable the Union to meet the current challenges facing Europe, continuing and building on the achievements of Maastricht and preparing the ground for the forthcoming enlargement.

The Group emphasizes in its report that by **amending the Treaties** and also by **improving the Union's procedures and working methods** the necessary results can be achieved.

Against this background, the Group without seeking to limit the Conference's sovereign power, recommends that results should be achieved in three main areas:

- Making Europe more relevant to its citizens;
- **Enabling the Union to work better and preparing it for enlargement;**
- Giving the Union greater capacity for external action. ■

COMMISSION OUTLINES PRINCIPLES FOR COHESION POLICY AFTER ENLARGEMENT

In its communication to the Madrid Summit on **"The Effects of Enlargement"**, the European Commission established 6 leading principles which should govern the future cohesion policy. We have pointed out in the last issue (c.f. No 79, pp 3-4) that the Commission tries to assure the EU poorer countries and regions that the principles of economic and social cohesion will continue to be the fundamental feature of a future EU policy and that, in spite of new costs linked to the enlargement, the application of structural and cohesion funds would not be an obstacle to the enlargement.

Furthermore, the six **principles** try to establish that cohesion policy shall be regarded as an instrument helping with the enlargement process and with creating a balance of interest of the current and new member states.

1. The objective of strengthening the economic and social cohesion, as laid down in Article B of the Common Provisions of the EU Treaty continues to be a fundamental element of EU policy.

(We would like to recall that this part of the Treaty asks to promote economic and social progress, which is balanced and sustainable, through the creation of the internal market, and through the strengthening of economic and social cohesion, and through establishment of monetary union ultimately including a single currency)

2. **There must be a guarantee for the poorer member states on the continuation of solidarity**, although its application should take account of the success achieved in economic and social cohesion. The general application of the cohesion policy throughout the Union should be maintained, even if there is a need to

concentrate funding on specific regions or policy priorities.

3. Improvement and a revision of cohesion policy is necessary, as it needs to become more effective. The Cohesion report which the Commission will establish in 1996, will provide a basis for the review. The reform of cohesion policy within the 15 member states, which is to follow, should, however, **take place in an acceptable time period.**

4. During a time when most member states are going through a process of rigorous budget management in order to maintain or to fulfil the Maastricht criteria, the Union should also provide a clear signal that it shapes its policies in a way that the principle of budget discipline is concretely respected.

5. **While the objective should be full application of**

(continued on page 8)

(see page 7)

cohesion policy to new members, transitional arrangements after accession will be necessary to integrate them gradually into the policy and its financial aspects.

6. While implementing the structural funds in the CEECs, the

economic effectiveness of transfers must be assured. Experience suggests that volumes of assistance which are high in relation to the recipients' GDP are difficult to use effectively, and can even distort their economic structure. High

volumes of assistance might pose big problems for the new member states, as their administrative systems, their absorptive capacity and their ability for co-financing the aid might be overwhelmed by the influx of funds. ■

BULGARIAN APPLICATION

Bulgarian Foreign Minister, Georgi Pirinski, submitted his country's application for EU Membership in Madrid on the margin of the EU Summit. Bulgarian President Mr. Zhelev attended the ceremony. The accession request was accompanied by an 8-page memorandum. Mr. Pirinski hoped that the accession negotiations would start soon after the conclusion of the IGC. The negotiations should begin simultaneously with all associated countries of central and eastern Europe. Bulgaria has waited with the application's submission up until the Government "obtained the certainty that the country should be able to take a full part in accession negotiations" said Bulgarian foreign minister.

Lithuania Applies for Accession to the EU

Lithuania was the last of the Baltic countries to submit an application for accession to the European Union. President Algirdas Brazauskas and Prime Minister Adolfas Slezevicius signed the application on 8 December. On the same date the President of Parliament signed a parliamentary declaration authorizing this act. The declaration was transferred by Foreign Affairs Minister Mr. Povilas Gylys to the Spanish Presidency of the EU Council. The Prime Minister expressed the hope that the Madrid Summit would clarify the timetable for the beginning of the accession negotiations.

Czech application in January:

Czech Prime Minister, Vaclav Klaus, told the EU Heads of State and Government in Madrid that "I intend to officially submit the application to Prime Minister Dini during my official visit to Italy at the end of January 1996"

Czech Republic is the last associated country to submit an accession application. In his speech in Madrid the Czech Premier said that "we follow with great interest the fundamental discussions on the deepening of the economic and monetary aspects of the Union". He pointed to his country's experience with the COMECON-style integration and to the fact that his country went in the opposite direction in splitting the country as well as the currency. He also mentioned the costs of the unification of Germany. Thus the Czech Republic knows that all important changes must find broad popular support and must take care of all potential costs and benefits. "In this respect, we would be on the side of those member countries of the EU which stress a more gradualistic approach to that". Europe today is not a case for shock therapy. "The monetary unification will bring significant benefits (at non-negligible costs), but the question remains how big the margin between costs and benefits will be." ■

STEEL TRADE ISSUE REAPPEARS IN EU-POLISH DIALOGUE

There have been certain hints from the EU institutions to Polish authorities to reconsider their apparent will to get tough with the EU in the field of trade policy. This year was marked by continuous discussions between Poland and the European Commission regarding the Polish decision to introduce obligatory certification for imported products. Poland hinted that as a result of the lack of concessions by the EU to fundamentally improve market access (in particular for agricultural products), and in view of the somewhat more firm commitment concerning the opening of the enlargement negotiations, it feels free to start using provisions laid down in the Europe Agreements allowing Poland to restrict, on certain conditions, access of EU products on the Polish market. It is believed in Brussels that Poland does not intend to carry out the 20%

cut in customs duties stipulated for 1996 by the Europe Agreements. Justification may be found in the article of the Europe Agreement which allows exceptional measures concerning either infant industries or sectors undergoing restructuring, or facing difficulties.

Poles apparently believe, the steel sector fits this description. As the EU plans to apply a double checking system of imported steel products to all countries of central and eastern Europe (this system has yet not yet been applied to Poland and Hungary, but to the rest of east Europe), the introduction by Poland of approval of all imports via obligatory certification together with maintenance of a 17% import duty on EU steel products (current level of 12% plus 5% general import surcharge), could be judged in Poland as an efficient countermeasure. The EU steel sector and the European Commission are probably even more concerned by the maintenance of the Polish ban on exports of scrap. Poland granted an EU quota of only 400,000 tons i.e. less than half of the volume EU steel industry was able to import some 3 years ago. Lack of scrap is one of the main problems for the EU steel industry.

The Commission reminded Poland that Polish exports of steel to the EU were able to expand rapidly and that Poland is likely to have steel products trade surplus with the EU of probably 1m tons in 1995 as against 470,000 tons in 1994 and 830,000 tons in 1993. This year EU steel exports to Poland were only some 200,000 tons. Thus the message is that there is no real need to use non-tariff barriers and to refuse to carry out planned cuts in steel import duties. ■

SWEDISH GOVERNMENT TAKES POSITION ON IGC AND ENLARGEMENT

The Swedish Government presented on 7 December to the Swedish parliament a report on its position towards the 1996 Intergovernmental Conference. The report is in favour of strong European institutions. Its point is that the attempts to return issues to the national level in the name of subsidiarity should be discouraged in all cases when the issues could be better dealt with at Community level. This, for example, leads the Swedish Government to request that the IGC strengthens the EU environment policy in the revised EU Treaty. One of its proposals calls for the IGC to introduce the environmental goal for the Common Agricultural Policy into Article 39.

The case of maintaining a strong and uniform institutional framework is also emphasized in the Swedish Government's consideration about the necessary flexibility in the EU. The flexibility is considered to be necessary for strengthening cooperation in an enlarged Union, but the condition of the single institutional framework. The Government is in favour of a continued role of the European Commission. Each country has to have the right to appoint one Commissioner. The Commission shall have the right to supervise member countries compliance with agreements within the framework of cooperation on justice and home affairs (i.e. 3rd. pillar). In the field of the 3rd Pillar the Swedish Government says that an eventual transfer of appropriate aspects of asylum and immigration policy to the first pillar (i.e. to the Community procedure) might be considered.

On decision-making procedure in the Council the Government said that in "certain areas the wider

application of qualified majority may be considered". Swedes, however, oppose that the weighing of votes of member countries reflect their population's size. In principle, Swedes are in favour of continuation of the rotation of the EU Council presidency, but are ready to consider some other possibilities involving a "team presidency".

Enlargement :

The Swedish Government took an important position on the next enlargement -

1. Negotiations should start at the same time with all candidate countries and the Swedish Government wants that the earlier decision applied to Malta and Cyprus i.e. start of the negotiations six months after the conclusion of IGC is thus applied to central and east Europe

2. Baltic countries should be treated in the same way as the other applicants. This shall be considered as a strong reaction to several recent declarations suggesting that enlargement negotiations should start firstly with central European countries (Czech Republic, Poland, Hungary, perhaps Slovenia) and only then with the other candidates from central and eastern Europe.

3. The financial burden of enlargement must be allocated fairly among all Member States

The Swedish Government took a firm position on several issues which are of strong importance in the country: democracy, access to information, transparency, employment, workers rights, protection of

(continued on page 10)

(see page 9)

consumers. Sweden, for example, wants that the revised Treaty incorporates the principle of public access to documents of the EU institutions. Record of Council's proceedings shall be accessible to the public. The Treaty shall contain a Chapter on Employment. The Protocol on Social Policy should be incorporated into the Treaty. The Government considers proposing Treaty amendments making it possible to place collective labour market agreements and legislation on an equal footing where these agreements enjoy a legal force on a national basis. Consumer protection should be one of the major goals of the Union and this should be reflected in the Treaty which should indicate clearly that consumers are afforded protection of their legal interests.

Defence and Foreign Policy :

The position of a common foreign and defence policy reiterates the traditional Sweden's stand with certain new elements. Thus the abolishment of the right of veto is out of the question, but Sweden seems to be ready to consider the modification of the principle of unanimity on some specific questions. The Government is prepared to participate actively in the second pillar including defence, but chiefly defence taken in the sense of strengthening of peacekeeping instruments. On the other hand, Sweden is not in favour of becoming a member of the WEU. This is because of the mutual security guarantees contained in the Brussels Treaty. Thus, Sweden may participate in peacekeeping, but not in mutual guarantees among the member states. ■

DANISH MEMORANDUM ON IGC AND ENLARGEMENT

The draft Danish memorandum on the IGC was in favour of a further revision of the EU Treaty and established a number of Danish priorities:

*-- the principal goal of the revision of the Maastricht Treaty shall be the **preparation for enlargement to the east and the Baltic states***

*-- a revised Treaty should give priority to the right of citizens, a specific Chapter on Employment and on rights of workers, there should be a strengthened common position on environment including possibly a protocol determining which **environmental taxes could be adopted by qualified majority vote in the Council.***

The memorandum shows a good will towards a common foreign and security policy and suggests that the member countries shall have the right to decide on a common action even if one or two states would vote against. Concerning the institutions, the memorandum considers the possibility of several member countries sharing the Council presidency. Weighing of votes in the Council could be linked to the size of a member country population, but considers respect the principle that balance between small and large countries is not changed in the revised Treaty. ■

BELGIUM'S POSITION ON IGC AND ENLARGEMENT

The Belgian Prime Minister Jean-Luc Dehaene re-confirmed in his pre-Madrid declaration in the Belgian Parliament on European policy that the issue of enlargement for Belgium (and other Benelux countries as well) continues to be directly linked to the "deepening" of the European Union. EMU's Maastricht criteria and timetable must be respected, he said, otherwise "it will be a vacuum". His reasoning was that this deepening of the integration within the Union is the key because without the deepening and in view of increasingly strong pressures on enlargement, the EU would change into a vast free-trade area, which would encourage the temptation to use devaluation as an instrument of economic policy. "This would kill the Single market, lead to the domination of the DM and create frustrations which would bring Europe to the edge of the abyss".

On the same date the Belgian parliament's Opinion Committee on European market was considering the amendments tabled by Anne-Marie Lizin (former Member of European Parliament and former Belgian Minister for European Affairs) to the Parliament's draft report on IGC. Anne-Marie Lizin demanded that the IGC is suspended if it would become clear that deepening of the Union is not possible. ■

CUSTOMS UNION WITH TURKEY

The European Parliament gave its assent on 13 December to a Customs Union with Turkey. The Commission urged the EP to give its assent. It asked the parliament to consider the agreement's economic benefits for the European Union. Its "dossier" pointed to the progress made by Turkey to bolster democracy and the rule of law and to appreciable economic advantages that the EU will draw from implementation of the Customs Union Decision on the scheduled date i.e. 1 January 1996. The Commission's paper stated that rejection of the Customs Union Decision would create a highly complex legal situation which would be deleterious to EU interests. The favorable decision would culminate the process that started in 1964 with the signing of the Ankara Agreement and was corroborated in 1997 with the entry into force of the Additional Protocol. The principle of the progressive setting-up of the Customs Union over a period of 22 years is enshrined in those texts and is legally binding.

The Customs Union should start operating on 1 January 1996. The EU-Turkey Association Council meeting on 30 October 1995 confirmed that Turkey had met the conditions. The following article looks into the major economic and trade issues and outlines the advantages for the EU which were underlined by the Commission.

The EU has already largely dismantled customs duties and, excepting textiles, abolished all quantitative restrictions. Thus the bulk of the effort in the final phase is to be made by Turkey which agreed to dismantle its customs tariffs vis-a-vis the Community on the entry of the Customs Union into force. The impact of this move is clear from the fact that the current

customs protection for Turkish industrial products is 14% on average with peaks in certain sectors ranging from 20 to 40%.

Turkey is the EU's tenth biggest trading partner and foremost trading partner in the Mediterranean.

The complete dismantling of customs tariffs in Turkey will further improve the market possibilities for EU companies. It will strengthen direct investment and joint ventures with Turkish firms and will give the EU companies better access to Central Asia.

Textiles

In return for scraping voluntary restraint agreements (which were due to lapse as a result of the Uruguay Round anyway) the EU obtained an undertaking from Turkey that the country will comply with EU textile policy in its entirety (commercial policy and aids). The EU gains favorable terms of access to the Turkish market, while EU access of products from low-wage country will continue to be subject to control.

Vehicles

There are special advantages because Turkey is to maintain towards Third Countries customs tariffs which are higher than the EU common custom tariff (for vehicles under 3 litres). This will give vehicles produced in Turkey in joint ventures with EU companies, or to vehicles exported from the EU a substantial preferential margin over other third countries. Turkey agreed to monitor imports of Japanese cars.

Intellectual property

The implementation of a Customs Union forces Turkey to align its legislation and practice on

those of the EU well before the commitments on intellectual property right accepted by Turkey in the Uruguay Round.

Competition

Turkey agreed to align its competition laws on EU legislation fully and to have them enforced by a body **independent of the Turkish government**. Still the EU reserves the possibility of deploying, when necessary, its anti-dumping and anti-subsidy measures.

Standards

All EU industrial products which conform to European directives and legislation may enter Turkey subject only to the conditions governing movement of goods in the EU. Turkish products may move within their EU market on the same terms in step with the Turkey's adoption of the *acquis communautaire* for individual products.

Commercial policy

Turkey shall apply the principle of coordinating its commercial policy with EU to achieve a uniform commercial policy. In order to avoid any trade deflection, Turkey has undertaken, at the end of a five year transition period, to fully align itself on the Community policy of preferences. This, for example, means the alignment to tariff concession granted to the associated countries of central and eastern Europe.

Agriculture

The agricultural products are not involved even if the original agreement stipulated that the customs union would apply to

(continued on page 12)

(see page 11)

agricultural products once the Association Council had ascertained that Turkey had adopted the agricultural measures (adaptation to the CAP). The Decision on Customs union put the date for attaining free trade back ten years. Meanwhile there is a requirement to negotiate reciprocal concessions that are mutually advantageous.

Steel products

There will be separate negotiations whose aim from the EU side shall be an improved access to the Turkish steel products market and the possibility to monitor state aids granted by Turkey in this sector. Negotiations shall start soon.

Movement of labour, social issues

The EU requested and achieved a postponement of discussion on those issues as it is not yet ready to extend to Turkey provisions on the free movement of labour, working conditions, employment or social entitlement of Turkish workers in the EU. Turkey accepted to postpone discussions albeit with great reluctance. ■

ENERGY COUNCIL POSTPONED. QUESTIONS ON MARKET LIBERALIZATION

The EU Energy Council meeting scheduled for 14 December was postponed until 20 December because of continued differences over the liberalization of the EU electricity market and third party access. The issue is expected to be examined by the Heads of State and Government at the Madrid Summit and a new

compromise worked out. Commissioner Christos Papoutis, responsible for energy policy, said on 12 December that the Commission's proposal stays on the table, and that the Commission has no intention of presenting a new proposal. However, the Commissioner also said the Commission understands and takes into account the political and social sensitivities of the Member States linked to completion of the internal electricity market.

"Together in Europe" pointed out in June (c.f. No 71) that the EU Energy Council had reached an important compromise at the beginning of June on the future liberalization of the EU single electricity market and that there is a good chance that there could be a final breakthrough on the future directive by the end of this year. The issue of the liberalization of the EU electricity market has been deadlocked in the Council for the last three years. The most controversial aspect has been third party access to networks.

Readers will recall that a compromise suggested that negotiated third party access to networks and the single-buyer model could coexist. France favoured the single-buyer model, but accepted the compromise which in turn required finding solutions to a number of practical problems. Under the single-buyer system, "eligible consumers" would themselves be able to negotiate supply contracts abroad, while producers who are not bound by contract to the single buyer would be able to export their electricity via the single buyer network (providing there is free transport capacity and it is technically possible). One

of the unresolved problems was the definition of "eligible consumers", i.e. whether distributors should be accepted as eligible consumers or not.

The relatively weak Spanish Presidency compromise provided for an 8-year transition period during which distributors would gradually be included. France rejected the inclusion of distributors among the eligible consumers authorized to negotiate directly with producers. In view of the current upheaval in the French public sector, it was suspected even before the decision was taken on the postponement of the meeting that the French minister would have political difficulties supporting the compromise. ■

Joint Publication
AGENCE EUROPE S.A.
EAST WEST S.P.R.L.

Publisher responsible: *Marina Gazzo*
10, boulevard Saint Lazare
B-1210 Brussels (Belgium)

In cooperation with:
The Information DG, Commission of the
European Communities, contents do not
necessarily represent the view or policies
of the Commission.

Editor-in-chief: *Jan Zoubek*

For all information and subscriptions,
please contact:

AGENCE EUROPE
Subscription Department
10, boulevard Saint Lazare - bte 13
B-1210 BRUSSELS (Belgium)
Tel.: 219.02.56
Fax: 217.65.97
Telex: 21108

Bank: KB-Bruxelles 425-2044961-06

Distributed solely by subscription
Price per issue: BF 750

Printed by:
Imprimerie de l'Europe SA - Brussels

Copyright AGENCE EUROPE / EAST WEST